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Hudson's Bay Oil and Gas Company Limited
Annual Report 1963

Contents

Shareholders' Meeting

The Annual Meeting of Shareholders will be held at the Head Office of the Company on Tuesday, April 28, 1964 at 11:30 A.M. Shareholders of record as of April 21, 1964 will be entitled to vote at this meeting. Notice of the meeting and proxy forms are being mailed with this report.

The Year In Brief

	1963	1962
FINANCIAL		
Net Income*		
Total	$12,331,000	$10,166,000
Per Share	$ .67	$ .57
Dividend Declared		
Total	$ 5,488,000	$ 5,324,000
Per Share	$ .30	$ .30
Cash Generated from Operations		
Total	$25,760,000	$21,106,000
Per Share	$ 1.41	$ 1.19
Expenditures for Finding and Developing Reserves (Includes both Capital and Expense Items)	$53,079,000	$22,561,000
OPERATING		
Crude Oil and Natural Gas Liquids Production—Net (Barrels Per Day)		
Crude Oil	31,082	26,790
Natural Gas Liquids	4,604	3,564
Total	35,686	30,354
Natural Gas Sales—Net (Millions of Cubic Feet Per Day)	104.6	82.1
Pipe Line Throughput (Barrels Per Day)	53,724	42,678
Exploratory and Development Wells Completed		
Gross	249	164
Net	125.5	107.9
Net Acreage at December 31		
Fully or Partially Developed	321,000	274,000
Undeveloped	12,786,000	11,422,000
Total	13,107,000	11,696,000

***Exclusive of special credits of $856,000 in 1962. There were no special credits in 1963.**

L. J. Richards, Executive Vice-President and Wayne E. Glenn, President.

To The Shareholders:

For Hudson's Bay Oil and Gas Company Limited, 1963 was a year of continued growth and expansion. New records were achieved in production, sales and earnings from existing operations. Two oil and gas producing companies were acquired which added materially to the size of the Company's operations. The financial and operating results of the new subsidiaries, Consolidated Mic Mac Oils Ltd. and Security Freehold Petroleums Limited, have been included in the 1963 consolidated figures throughout this report.

EARNINGS AND DIVIDENDS

Both earnings and cash generation showed substantial gains during the year. Consolidated net income, after provision for minority interests, was \$12,331,000 or 67 cents per share, an increase of 21.3% over the comparable earnings for 1962. Cash generated from operations totalled \$25,760,000 or \$1.41 per share, an increase of 22.1% over the previous year. A dividend of 30 cents per share was declared for the year. Under the new provisions of the Income Tax Act, the non-resident withholding tax on this dividend was reduced to 10% as the Company does have the prescribed "degree of Canadian ownership."

PRODUCTION

Production of crude oil and natural gas liquids averaged 35,686 barrels per day, an increase of 17.6% over 1962, and sales of natural gas averaged 104.6 million cubic feet per day, an increase of 27.4%. Operating volumes of the new subsidiaries accounted for approximately three-fifths of the increase in production of crude oil and natural gas liquids and about one-fifth of the increase in sales of natural gas. The remainder of the volume gains primarily reflect an increase in the number of wells on production, and substantially larger deliveries of natural gas and natural gas liquids from the West Whitecourt gas processing plant.

ACQUISITION OF SUBSIDIARIES

The acquisition in 1963 of two new subsidiaries was accomplished through a combination of cash and share exchange offers for the shares of these companies. By year end, all the outstanding shares of Security Freehold Petroleums Limited and 98.5% of the outstanding shares of Consolidated Mic Mac Oils Ltd. had been acquired in exchange for cash payments totalling \$21,651,000 and 549,452 shares of the Company's capital stock valued at \$8,570,000. Since year end arrangements have been completed to acquire the remaining minority stock holdings in Consolidated Mic Mac Oils Ltd. at a cash

cost of $219,000. As a result of the new share issues, public ownership in Hudson's Bay Oil and Gas Company Limited has been enlarged to 12.4% of the outstanding shares. The interests of the Company's two major shareholders, Continental Oil Company and Hudson's Bay Company, have been reduced to 65.7% and 21.9% respectively.

The acquisition of the new subsidiaries provided an important addition to the Company's exploratory land holdings and hydrocarbon reserves. The undeveloped land holdings of these two companies at December 31, 1962 totalled 892,000 net acres, of which 274,000 acres were fee lands, 256,000 acres were leases or options, and 362,000 acres were Crown reservations or permits. The net proved and probable recoverable reserves of the two companies at December 31, 1962 were estimated at 26.6 million barrels of crude oil and natural gas liquids and 234 billion cubic feet of natural gas.

RESERVES

The Company also added to its reserves during the year through its exploration and development activities. New reserves added by discoveries, extensions and revisions substantially exceeded the 13.0 million barrels of crude oil and natural gas liquids and 38.2 billion cubic feet of natural gas produced and sold during the year.

EXPENDITURES AND FINANCING

Capital and operating expenditures for finding and developing reserves totalled $53,079,000 in 1963 as compared with $22,561,000 in the previous year. Included in the 1963 expenditures is the $27,866,000 cost assigned to reserves and exploratory acreage obtained through acquisition of Consolidated Mic Mac and Security Freehold. The remaining 1963 outlays consisted of $10,936,000 expended on exploration and $14,277,000 expended for development of reserves. In total, these latter figures are $2,652,000 greater than the comparable expenditures in 1962 with the difference primarily attributable to increased development drilling. The large expenditures in 1963 created a need for additional capital and, accordingly, the Company issued and sold $30,000,000 5½% First Mortgage Sinking Fund Bonds, Series D, maturing June 15, 1983.

INDUSTRY RESULTS AND OUTLOOK

For the production sector of the Canadian petroleum industry, 1963 was a year of continued growth. Production of crude oil and natural gas liquids averaged 783,000 barrels per day, an increase of 6.5% over 1962. Although this was the smallest annual increase since introduction of the National Oil Policy

in February 1961, it was still substantial and the production level attained in 1963 did represent effective fulfillment of the original objectives established under the National Oil Policy. No definitive production targets were established in the recently announced continuation of the National Oil Policy, but it is expected that Canadian production of liquid hydrocarbons will average 850,000 barrels per day in 1964, an 8.6% increase over 1963. The largest share of this gain is expected to come from growth in domestic demand, reflecting buoyant conditions in the general economy and prospects in the Ontario market for further replacement with domestic supplies of products manufactured from foreign crudes. Continued growth in export demand will also be an important factor. Sales of natural gas by Canadian producers averaged 2.4 billion cubic feet per day in 1963, an increase of 9.8 over the previous year. A similar rate of increase is anticipated for 1964 with the continuing rapid build-up of demand in Eastern Canada and normal expansion in export demand.

In 1963 the Alberta government announced that its policy in granting permits for commerical development of the Alberta tar sands would be based on limiting initial production from the sands to approximately 5% of the total market demand for Alberta crude oil. In keeping with this policy the government declined to grant permits for two proposed development projects as the processes were predicated on production rates of at least 95,000 barrels per day which would be in excess of the permissible rate. However, the government did approve an application by the holder of a development permit granted in 1962 to increase the permissible production rate for the project to 45,000 barrels per day, the minimum now required for economic operation under the recovery method proposed. Under the terms of the amended permit the applicant must commence construction of the project in 1964 and bring it into production by the fall of 1967. The Company is following these developments closely because of its sizeable holdings of tar sands reserves.

OUTLOOK FOR THE COMPANY

The Company's production and sales gains in 1964 are expected to be similar to those forecast for the Canadian petroleum industry as a whole. There are no apparent major new developments currently in prospect for 1964 which would materially alter the Company's present 4.6% share of Canadian liquid hydrocarbon production. However, one factor which could have a material bearing on the Company's relative performance over the longer term is the possibility of a change in the method of prorating crude oil production in Alberta, where the major portion of the Company's production is located. The Alberta Conservation Board held extensive hearings on this subject during 1963, in which the Company took an active part, but as yet the Board has not recommended any changes to the government. It is generally assumed that if

any changes are made in the present allocation system, they will be implemented in such a manner as to avoid abrupt dislocation of existing producing rates in the fields affected.

The outlook for natural gas sales is encouraging. Natural gas sales are not prorated and the Company, due to the favourable location of a large part of its uncommitted reserves in relation to existing pipe line systems, should gain a substantial share of any new markets. In particular, the Company hopes to contract for large scale deliveries from its gas reserves at Edson commencing in the fall of 1965.

PERSONNEL

In October 1963, Mr. C. Gordon Smith's resignation as a Director was regretfully accepted. To fill this vacancy, Mr. T. N. Beaupre, President of British Columbia Forest Products Limited and a Director of Hudson's Bay Company, was elected to the Board of Directors of the Company. The Company enjoyed a good year, and recorded a number of material gains; however, there can be no doubt that the effort and talent contributed by the employees was the outstanding accomplishment of 1963.

Additional operating and financial information is given in the general review which follows.

Submitted on behalf of the Board of Directors:

Wayne E. Glenn

Calgary, Alberta
March 17, 1964

Wayne E. Glenn
President

G. C. Stuart, Superintendent of Land; M. B. Morris, Vice-President, Exploration; E. L. Erickson, Chief Geophysicist; R. J. Hamilton, Chief Geologist.

GENERAL REVIEW

EXPLORATION

General — Exploration, particularly exploratory drilling, was emphasized by the petroleum industry in Western Canada during 1963. Geological, geophysical, land, and drilling activities were all at higher levels than in the previous year.

The Company stepped up its efforts to discover new oil and gas reserves. This was reflected in larger expenditures for exploratory drilling and acreage acquisitions and a continuation of its aggressive geological and geophysical programs. Total expenditures on exploration, including both capital and expense items, were $16,318,000 in 1963, as compared with $12,104,000 in the previous year. Expenditures for exploratory lands, which included the $5,382,000 assigned to undeveloped acreage holdings of Consolidated Mic Mac and Security Freehold, were $2,877,000 higher than in 1962. Expenditures for exploratory drilling were increased by $1,439,000.

The Company's most intensive exploration activities were conducted in Alberta, Saskatchewan and northern British Columbia. Most of the exploratory wells were drilled in Alberta. Exploration work in the Yukon-Northwest Territories was confined to geological examination of prospective areas and continu-

Significant Discoveries And Extensions In 1963

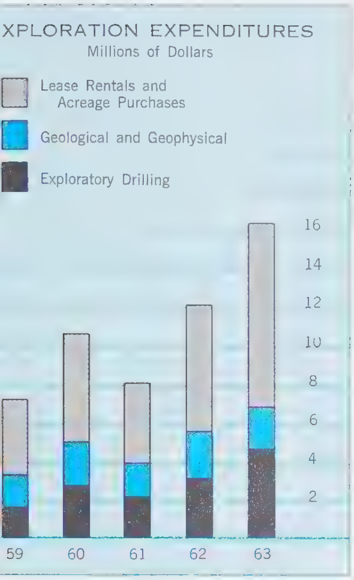
Name of Field or Area	Discoveries and Extensions: Number	Nature	Producing Formation	Approximate Depth
Alberta:				
N.W. Pine Creek	1	Gas	Devonian	10,500'
South Kaybob. .	1	Oil	Triassic	7,000'
Edson	5	Gas	Cretaceous	8,800'
			Mississippian	9,100'
Grizzly	1	Gas	Devonian	11,000'
British Columbia:				
Cypress	2	Gas	Triassic	4,700'

ation of a seismic survey on Company permits in the Camsell Bend area of the Northwest Territories.

The Company maintained its position in Alberta's Athabasca tar sands by obtaining 12,500 net acres of tar sands leases through the acquisition of Consolidated Mic Mac. These leases contain substantial proven reserves of tar sands type crude which, being located at shallow depths, are favourably situated for surface mining methods. During the year, the Company did not conduct tar sands evaluation work of any type. Most of the pilot and feasibility studies on tar sands mining, bitumen recovery and processing conducted by other companies have been suspended following the Alberta government's decision to postpone issuance of permits for full-scale recovery and processing operations.

Discoveries — Several new fields were discovered and several existing fields were extended during 1963 through the Company's exploration efforts. The significant discoveries and extensions, most of which are located in west central Alberta, are listed in the table above and described in the following paragraphs.

At Northwest Pine Creek natural gas was discovered in a Devonian reef at a depth of 10,500 feet. The discovery well encountered 220 feet of gas-bearing reef, and since year end a follow-up well located two miles southwest found natural gas in the same reservoir. The thickness of the productive zone and the extent of the reservoir established by these two wells indicate the existence of a major natural gas reserve. The Company has a 41.7% interest in the 21,000 acre block on which the wells were drilled.



The South Kaybob Triassic oil field, discovered by the Company in 1962, was extended two miles to the southeast by a step-out exploratory well. Subsequent development drilling has expanded the productive area of the field and substantially enlarged the proven reserves. The Company has a 50% interest in a 14,000 acre block, within which the major portion of the South Kaybob oil field is located, and also has a 50% interest in 10,240 acres of leases in the immediate vicinity of this field.

During 1963 the Company participated in five successful exploratory wells at widely spaced locations in the Edson area, all of which proved to be extensions of the Edson natural gas field discovered by the Company in 1962. These five wells, and wells drilled by other companies, have confirmed that this Mississippian natural gas reservoir extends over an area of approximately 128,000 acres. Within this area, natural gas has also been found in Cretaceous sands. The Company has interests varying from 50% to 100% in various blocks, equivalent to 30,000 net acres, within the limits of the Edson field. It also has other extensive land holdings in this general area.

An exploratory well drilled to the southeast of the Grizzly natural gas field extended the field a further two miles on Company acreage. This well encountered 210 feet of productive Devonian reef, the thickest productive zone yet found in the field. Sufficient drilling has now been done to confirm the existence of a major gas reserve in this field. The Company has approximately 1,750 net acres in the Grizzly field as it is presently defined, and interests varying from 21% to 25% in approximately 27,000 acres surrounding the field.

Two exploratory wells drilled at Cypress, in northeastern British Columbia, extended this Triassic natural gas field four miles to the southeast. Three successful wells have now been drilled on the Cypress structure and additional delineation drilling is planned for 1964. The field is located on a wholly-owned block of permits and leases totalling 78,000 acres.

Acreage Holdings — The Company's 1963 expenditures for exploratory lands, totalling $7,195,000, were larger than in any previous year. These expenditures included the $5,382,000 value placed on the 892,000 acres of undeveloped lands obtained through acquisition of Consolidated Mic Mac and Security Freehold, and $1,813,000 paid for 1,371,000 acres acquired in the course of the Company's normal exploration program. The most promising acreage acquired in 1963 was the 279,000 acres of mineral rights owned in fee by Security Freehold. These mineral rights consist of individual tracts varying in size from 80 to 1,600 acres, widely distributed over prospective areas of southwestern Alberta, southeastern Saskatchewan and southwestern Manitoba.

Undeveloped Net Acreage Holdings
December 31, 1963

Location	Crown Permits or Reservations (1)	Leaseholds	Options to Lease Hudson's Bay Company Lands	Fee Lands	Total
Alberta	2,261,000	1,725,000	1,526,000	89,000	5,601,000
British Columbia	1,690,000	256,000	6,000	—	1,952,000
Saskatchewan. . .	475,000	72,000	2,332,000	101,000	2,980,000
Yukon-Northwest Territories . . .	1,442,000	19,000	—	—	1,461,000
Other	—	3,000	700,000	89,000	792,000
	5,868,000	2,075,000	4,564,000	279,000	12,786,000

(1) Convertible into leases to the extent of approximately 50%.

The perpetual ownership of the minerals conveyed by the fee title to these lands and the absence of any rentals or work obligations to maintain them in good standing, adds materially to their value. The remaining land holdings of the two new subsidiaries consist of leases, reservations and permits, most of which are located in Alberta.

During 1963, reductions in the Company's undeveloped land holdings amounted to 899,000 acres. A total of 749,000 acres were surrendered after geological and geophysical evaluation, and 95,000 acres were surrendered on conversion of permits and reservations to petroleum and natural gas leases. Generally about 50% of the area of a Crown permit or reservation can be converted to leases and the remainder must then be surrendered. In addition, 30,000 acres were assigned to other companies for wells drilled on or adjacent to Company lands and 25,000 acres were transferred to the fully or partially developed category.

At December 31, 1963 undeveloped lands held by the Company totalled 12,786,000 acres and the investment in these lands amounted to $19,253,000 or an average of $1.51 per acre. The type and distribution of these holdings are shown in the table at the top of this page.

WELL COMPLETIONS	1963		1962	
	Gross	Net	Gross	Net
PLORATORY				
l	9	5.4	4	2.8
as	14	8.1	4	2.3
y	45	22.1	31	16.8
tal	68	35.6	39	21.9
erage epth		6,619'		7,067'
EVELOPMENT				
l	129	66.3	92	65.1
as	28	8.7	11	7.1
y	24	14.9	22	13.8
tal	181	89.9	125	86.0
erage epth		6,185'		5,460'

DRILLING

During 1963 the Company participated in the completion of 249 gross wells, of which 68 were exploratory wells and 181 were development wells. In addition to these wells in which it had a working interest, the Company supported, with relatively small contributions of acreage or money, the drilling of 35 wells by other companies on lands adjacent to Company holdings. Most of these latter wells were of an exploratory nature and assisted in evaluating acreage owned by the Company.

The Company's working interest participation in 68 exploratory wells, equivalent to 35.6 net wells, represented the largest exploratory drilling program which the Company has ever undertaken. Of these exploratory wells, 8 gross wells or 2.9 net wells were drilled on Company lands by other companies at their expense in exchange for an interest in the lands.

The Company's participation in 181 gross development wells was equivalent to 89.9 net wells. The increased drilling activity in 1963 was largely attributable to concentrated development in four Alberta fields: South Kaybob, Medicine River, Sylvan Lake and Pembina. Of the total net development wells completed in 1963, 78.2 were in Alberta, 5.9 in Saskatchewan and 5.8 in British Columbia.

CRUDE OIL PRODUCTION — NET Daily Average Barrels	1963	1962
LBERTA		
embina	8,161	7,286
undre	1,628	2,321
nisfail	1,416	774
arrington	1,204	1,174
rginia Hills	1,180	1,118
urgeon Lake South	1,118	979
duc-Woodbend	831	889
edicine River	805	539
est Drumheller	662	686
her fields	8,052	6,401
tal	25,057	22,167
ASKATCHEWAN		
ccess	970	895
her fields	2,829	2,370
tal	3,799	3,265
RITISH COLUMBIA		
lligan Creek and Wildmint	2,165	1,354
her fields	51	—
tal	2,216	1,354
ANITOBA	10	4
tal	31,082	26,790

PRODUCTION

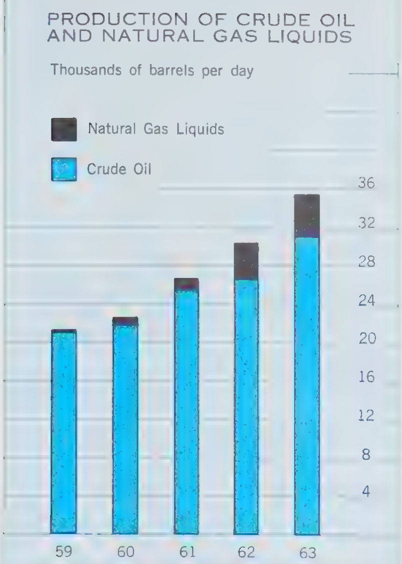
Crude Oil — In 1963 a new high in crude oil production was established for the fourth consecutive year. The Company's net crude oil production averaged 31,082 barrels per day, an increase of 4,292 barrels per day or 16.0% over the previous year. Consolidated Mic Mac and Security Freehold Petroleums properties contributed 3,082 barrels daily to the year's production. New wells completed in 1963 and a full year's production from wells completed during the previous year provided an additional 2,377 barrels per day. An improvement in rates of production from wells in British Columbia and Saskatchewan, reflecting the rapid growth in market demand for crude from these provinces, was more than offset by reduced well allowables in some Alberta fields and natural decline in the producing rates of older wells.

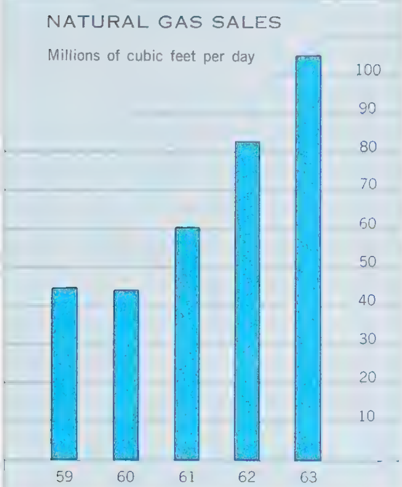
The trend toward unitized operations continued in 1963 in recognition of the improved economy and efficiency which result from consolidating operations under management of a single operator. A total of 13 units involving Company properties were formed during the year, and additional units were under study

D. G. Strople, Edmonton District Superintendent; D. C. Jones, Vice-President, Production; S. G. Olson, Assistant General Manager, Production; E. J. Chaput, Calgary District Superintendent; C. C. Frye, Chief Engineer.

at year end. The Company is now a participant in 75 operating units.

The majority of oil fields involved in unitization were also under active development of pressure maintenance and secondary recovery projects. Such projects affecting Company property were undertaken during the year in the Pembina, Garrington, Sundre, Virginia Hills and Swan Hills fields in Alberta, and in the Weyburn and Smiley fields in Saskatchewan. The waterflood or gas injection facilities installed in these fields are designed to maximize recovery of crude oil from the reservoir and maintain production at allowable rates. Over the past several years, secondary recovery projects have made substantial contributions to the Company's production and recoverable reserves. Continued emphasis by the Company's technical staff will be placed on identification of fields which present opportunities for secondary operations and on improvement of secondary recovery methods and techniques.





Alberta's Oil and Gas Conservation Board conducted lengthy hearings in the latter part of 1963 on the controversial issue of prorating market demand for crude oil to fields in the province. The Company took an active part in the hearings and recommended that proration between pools be based on remaining reserves and within pools on an acreage factor, rather than the present system which distributes a large portion of the total demand in the form of a minimum allowable for each producing well. The plan proposed by the Company is designed to encourage exploration for new reserves, to reduce unnecessary drilling through wider spacing of wells, and to encourage the installation of pressure maintenance and secondary recovery facilities. If the plan proposed by the Company were adopted, the rate of production from certain fields in which it has interests would be reduced below present levels, and in other fields the production rate would be improved. The net effect on the Company probably would be a slight decrease in production from existing wells during the initial stages of the proposed plan. Nevertheless, the Company believes the ultimate effect of the proration system it has suggested would prove beneficial to the Company, to the industry, and to the Province. As yet no announcement has been made by the Alberta government as to what changes, if any, will be adopted in the proration system. If any changes are introduced, it is probable that provision will be made for a gradual transition from the present method of allocation in order to avoid abrupt dislocation of existing producing rates in the fields affected.

NATURAL GAS SALES—NET
Millions of Cubic Feet Daily

	1963	1962
Cessford	37.7	36.7
West Whitecourt	29.5	18.2
Pembina	9.0	6.9
Westerose South and Homeglen-Rimbey	5.4	5.1
Provost	3.3	2.4
Pendant D'Oreille	2.5	0.7
Other fields	17.2	12.1
Total	104.6	82.1

NATURAL GAS LIQUIDS PRODUCTION—NET
Daily Average Barrels

	1963	1962
West Whitecourt	3,454	2,673
Westerose South and Homeglen-Rimbey	339	307
Harmattan-Elkton	312	141
Other fields	499	443
Total	4,604	3,564

Natural Gas and Associated Products — Natural gas sales averaged 104.6 million cubic feet per day in 1963, an increase of 22.5 million cubic feet per day or 27.4% over the previous year. Production of natural gas liquids averaged 4,604 barrels per day, up 1,040 barrels per day or 29.2%.

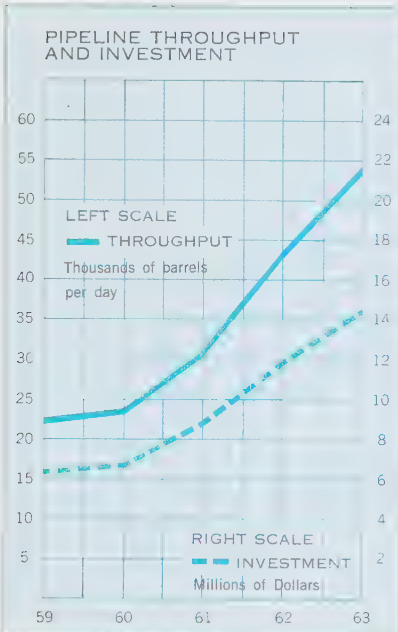
A full year's operation of the West Whitecourt facilities, placed in operation in April 1962, contributed the major portion of the Company's increase in natural gas and gas liquids production. These facilities, in which the Company owns a 41.67% interest, provide for the integrated operation of the Windfall, Pine Creek and Beaver Creek natural gas fields — all located within a 25 mile radius. During the year, the Pine Creek facilities were enlarged to produce additional gas required for pressure maintenance in the Windfall field. Additional compression and liquid extraction facilities were installed in the Windfall plant which recovers saleable residue gas, natural gas liquids and hydrogen sulphide for conversion into elemental sulphur at an adjoining plant. Further expansion of the Windfall plant will be required in the near future to handle increasing volumes of hydrogen sulphide available from the gas processed by the plant.

PIPE LINES

Continued growth in pipe line operations resulted in a substantial increase in revenues from this source in 1963. The volume of crude oil and natural gas liquids gathered and transported in the Company's pipe line systems averaged 53,724 barrels per day, an increase of 11,046 barrels per day or 25.9% over the previous year.

The Company expanded its pipe line facilities in 1963 by constructing a connection to the Lookout Butte gas recycling plant in southwestern Alberta and numerous gathering extensions in fields already served. Also, through acquisition of Consolidated Mic Mac, the 30 mile pipe line system of that company's wholly-owned subsidiary, Twining Pipeline Ltd., was added to the Company's operations. The Twining Pipeline system gathers production from the Twining field and delivers it to a connecting carrier for transportation to the Edmonton junction of the Western Canada pipe line complex. The cost of these additions, including the value assigned to the Twining pipe line system, amounted to $2,341,000, bringing the Company's total investment in pipe lines to $14,204,000 at year end.

R. J. Chandler, Manager, Purchasing; K W. Lloyd, Assistant General Manager, Crude Oil & Pipe Line; F. C. Whiteside, General Manager, Crude Oil & Pipe Line.



The Company also participates in the ownership of two pipe lines serving areas in which it has important producing interests. These investments, which comprise a 14% interest in Peace River Oil Pipe Line Company Ltd. and a 4% interest in Producers Pipelines Ltd., are steadily growing in value. Both of these companies are aggressively expanding their operations and, in each case, had approximately $25,000,000 invested in their pipe line systems at year end.

EMPLOYEES

Throughout the year, the Company continued to emphasize organizational efficiency and development of personnel through greater delegation of authority and responsibility. Attention was devoted to the realignment of managerial responsibilities, simplification of procedures and use of more advanced electronic computer equipment. The employees recognized the need for efficient utilization of corporate resources, and they have contributed effectively to cost control and work improvement plans and procedures. Their interest in self-development has been evidenced by the number of job-related evening and correspondence courses voluntarily taken under the Company's Employee Education Refund Plan. These endeavours have resulted in the acquisition and improvement of technical knowledge and skills by many employees which are necessary for advancement under the highly competitive conditions currently existing in the industry.

In recognition of the need to encourage students to further their education and its responsibility to provide assistance to educational institutions, the Company has initiated a formal Financial Aid to Education program. This program will include scholarships, fellowships, grants-in-aid to universities, and financial assistance to other educational organizations. In 1963 a four-year under-graduate scholarship in geology sponsored by the Company was awarded at the University of Alberta, Calgary, together with a supplemental grant to the university to assist in defraying the cost of educating the award winner.

A continuing emphasis on accident prevention was reflected in the Company's low rates of personal injuries and automotive accidents, which are among the lowest in the Canadian petroleum industry. This favourable experience has resulted in the Company receiving awards from government and industrial groups in recognition of these achievements. In turn, the Company recognized with awards seven field employee groups which contributed significantly to the success of the over-all safety program.

At year end, the Company had 475 employees, an increase of 21 over the previous year end. This increase reflected the addition of 11 employees from

Consolidated Mic Mac and Security Freehold and continued growth in the size of the Company's operations.

Total employment costs for 1963, including salaries, wages and benefit payments, were $3,517,000, an increase of $283,000 or 8.7% over 1962. Salaries and wages of $3,024,000 were up by $244,000 or 8.8% due to additions to staff, a general wage increase, and promotion and merit increases to salaried employees. During the year, the Company introduced a new salary administration program designed to provide greater incentives for top performance by supervisory and technical personnel. This policy provides for additional salary merit increases awarded on an individual basis in lieu of participation in "general" salary increases which normally have been granted on an industry-wide basis in the Canadian petroleum industry.

The Company's contributions to all employee benefit plans amounted to $493,000 or 16.3% of 1963 salaries and wages. These contributions were $39,000 higher than the comparable payments in 1962. Employee contributions to these plans totalled $313,000, an increase of $20,000 over the previous year.

During the year 107 employees, who had been members of the Company's Thrift Plan for the full five year period since its inception, became entitled to the $102,000 of Company contributions which had been contingently allocated to their accounts pending completion of the required vesting period. The major part of the funds accumulated in the Thrift Plan have been invested, at the direction of the employees, in Company stock and at year end 28,897 of the Company's shares were held for the Thrift Plan by its Trustees.

J. H. Currie, Corporate Secretary; J. D. Porter, Manager, Employee Relations; L. B. Bannicke, General Counsel.

J. M. Taylor, Manager, Computer Service; K. H. Burgis, Financial Vice-President and Treasurer; F. J. Mair, Controller; R. Suttill, Manager, Special Projects; J. D. Kean, Manager, Building & Office Services.

FINANCIAL

The Company's capitalization was substantially enlarged in 1963 through the sale of \$30,000,000 of bonds and by the issue of 549,452 shares of capital stock. The new \$30,000,000 5½% First Mortgage Sinking Fund Bonds, Series D, maturing June 15, 1983, rank equally with the Company's outstanding Series A, B and C bonds and were sold at par to a limited number of insurance companies and other institutional purchasers. The capital stock was issued in connection with the acquisition of subsidiaries as described in the following paragraph.

The acquisition during 1963 of all the outstanding shares of Security Freehold and 98.5% of the outstanding shares of Consolidated Mic Mac was accomplished through a combination of market purchases and cash and share exchange offers made directly to the shareholders of these companies. Total cost of these acquisitions, including transfer taxes, solicitation fees and depositary fees paid by the Company, was \$30,221,000. Of this amount, \$21,651,000 was paid in cash and the remaining \$8,570,000 represented the value of shares issued. Arrangements have been completed to acquire the

small minority interest in Consolidated Mic Mac, which remained outstanding at year end, at a cash cost of $219,000.

Earnings and cash generation both reached new highs in 1963. Consolidated net income, after deduction of minority interests, was $12,331,000 or 67 cents per share. This represented a 21.3% gain over the comparable earnings of $10,166,000 or 57 cents per share for 1962. Cash generated from operations amounted to $25,760,000 or $1.41 per share, a 22.1% increase over the $21,106,000 or $1.19 per share generated in the previous year. In each case, the per share calculations are based on the number of shares outstanding at the respective year ends.

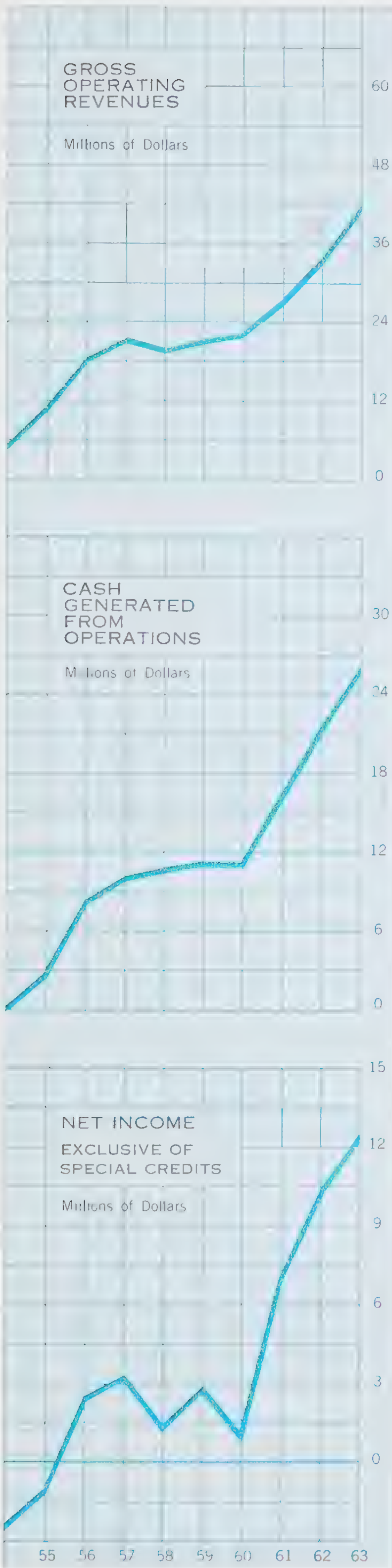
A dividend of 30 cents per share for 1963 was paid on January 27, 1964 to shareholders of record at close of business on December 31, 1963. Although the dividend rate was the same as for the prior year, the increase in number of shares outstanding resulted in a total dividend payment of $5,488,000 as compared with $5,324,000 for 1962.

Gross operating revenues totalled $41,024,000, an increase of $7,428,000 or 22.1% over the previous year. Substantial gains were achieved in all categories of operating revenue as shown in the following summary:

Gross Operating Revenues	Amount in 1963	Increase over 1962
Sales of crude oil	$27,112,000	$4,125,000
Sales of natural gas liquids	4,312,000	1,078,000
Sales of natural gas	5,218,000	1,323,000
Sales of sulphur	411,000	252,000
Gas plant processing fees	666,000	170,000
Pipe line revenues	3,261,000	449,000
Other	44,000	31,000
Total	$41,024,000	$7,428,000

For each category of revenue, the major factor in the increase was a larger volume of sales or operations. However, price increases did account for approximately 10% of the gain in revenues from both crude oil and natural gas liquids and 20% of the gain in revenues from natural gas. Inclusion of Security Freehold and Consolidated Mic Mac revenues in the consolidated figures for 1963 accounted for approximately 45% of the total gain.

Total expenses for the year were $28,662,000, an increase of $4,571,000 or 19.0%. Cash expenses were $2,983,000 higher than in the previous year. The principal factors contributing to this result were $1,113,000 of additional interest charges and increased operating and administrative expenses attributable to expansion of the Company's operations. Non-cash expenses increased by $1,588,000. Depreciation and depletion were increased by a total of $1,154,000 as a result of the substantial growth in fixed assets. Reflecting a change in



accounting procedures, $1,125,000 was provided for amortization of undeveloped acreage, which was $743,000 more than the amount charged in the previous year for surrendered leases. Under the new accounting procedures the cost of all undeveloped acreage is amortized on a regular basis while the previous practice was to charge the cost of individual parcels against earnings at the time they were surrendered. The charge for dry holes and abandonments was down $321,000 despite an increase in the number of wells drilled during the year.

No provision for income tax was required by the parent company or any of its subsidiaries in 1963. As explained in Note 5 to the financial statements, the parent company was able to offset its taxable income for the year against the substantial accumulation of deductions for drilling and exploration expenditures carried forward from prior years. Similarly, Consolidated Mic Mac had no income tax liability because of its carry-forward of drilling and exploration deductions. Although Security Freehold had been paying income taxes for a number of years prior to its acquisition by the Company, it had no taxable income for 1963 due to a substantial increase in its expenditures on drilling and exploration during the year.

Capital expenditures totalled $50,907,000 in 1963 as compared with $21,290,000 in the previous year. Included in the 1963 expenditures is $28,323,000 of the total cost of acquiring Consolidated Mic Mac and Security Freehold which represented the values assigned to the developed and undeveloped lands, production facilities, plants, pipe lines and other fixed assets so acquired. The balance of the 1963 expenditures, comprising the Company's regular capital expenditure program, exceeded total capital outlays in 1962. On a comparative basis, excluding the Consolidated Mic Mac and Security Freehold acquisition costs, expenditures for drilling exploratory and development wells were up $3,743,000 in 1963, and investment in secondary recovery facilities increased by $1,497,000. On the same basis, acreage purchases were down $2,475,000 and pipe line additions were $1,407,000 less than in 1962.

The Company had an unusually large volume of financing transactions in 1963. In the early months of the year, a combination of large cash outlays for the purchase of Consolidated Mic Mac and Security Freehold shares, a high level of capital expenditures, and payment of the 1962 dividend created a heavy demand for cash which was financed initially by bank borrowings and the sale of unsecured short-term notes in the money market. Long term financing of these capital expenditures was accomplished through the sale of the $30,000,000 bond issue described in the opening paragraph of this section of the report. After giving effect to the purchase and redemption of $731,000 of its outstanding series of first mortgage bonds during the year, the Company had $52,570,000 of long-term debt outstanding at December 31, 1963. This represented 36.2% of the Company's total capitalization at that date. The effect of all

these expenditures and financing transactions on the Company's working capital and cash position is shown in the following comparative summary of sources and uses of funds.

Sources and Uses of Funds

	1963	1962
SOURCES OF FUNDS:		
Net income before special credits	$12,331,000	$ 10,166,000
Non-cash charges for depletion, depreciation, dry holes, amortization of undeveloped acreage, amortization of debt expense, and minority interests; less gains from disposals of assets and retirement of debt	13,429,000	10,940,000
Cash generated from operations	25,760,000	21,106,000
Issue of long-term debt	30,000,000	—
Issue of capital stock	8,570,000	—
Sales of properties and investments	956,000	1,610,000
Total funds available	$65,286,000	$ 22,716,000
USES OF FUNDS:		
Expenditures for property, plant and equipment	$50,907,000	$ 21,290,000
Expenditures for other assets of acquired subsidiaries	1,259,000	—
Reduction of long-term debt	969,000	1,479,000
Dividend declared	5,488,000	5,324,000
Miscellaneous uses (sources)	375,000	(53,000)
Total funds used	$58,998,000	$ 28,040,000
RESULTING INCREASE (DECREASE):		
In cash and short-term investments	$ 4,021,000	$ 121,000
In other working capital items	2,267,000	(5,445,000)
In total working capital	$ 6,288,000	$(5,324,000)

Hudson's Bay Oil and Gas Company Limited

and Subsidiary Companies

Consolidated Statement of Income

YEARS ENDED DECEMBER 31, 1963 AND 1962

	1963	1962
INCOME:		
Gross operating revenues	$41,024,000	$33,596,000
Interest, dividends and other income	378,000	661,000
	41,402,000	34,257,000
EXPENSES AND OTHER DEDUCTIONS:		
Operating and general expenses (Note 4)	10,351,000	8,713,000
Rentals of undeveloped oil and gas properties	2,191,000	2,027,000
Taxes, other than income taxes	782,000	710,000
Dry holes and abandonments	2,992,000	3,313,000
Amortization of undeveloped acreage	1,125,000	382,000
Depletion	4,823,000	4,451,000
Depreciation	3,990,000	3,208,000
Interest and expense on long-term debt	1,907,000	1,065,000
Other interest charges	501,000	222,000
Minority interest in net income of subsidiaries (Note 1)	409,000	—
	29,071,000	24,091,000
NET INCOME BEFORE SPECIAL CREDIT	12,331,000	10,166,000
SPECIAL CREDIT from sale of properties	—	856,000
NET INCOME FOR YEAR (Notes 2 and 5)	$12,331,000	$11,022,000

Consolidated Statement of Retained Earnings

YEARS ENDED DECEMBER 31, 1963 AND 1962

	1963	1962
Balance at Beginning of Year	$18,605,000	$12,907,000
Net Income for Year	12,331,000	11,022,000
	30,936,000	23,929,000
Dividend Declared	5,488,000	5,324,000
Balance at End of Year	$25,448,000	$18,605,000

See accompanying notes

Hudson's Bay Oil and

and Subsidiary

Consolidated Balance Sheet —

ASSETS

	1963	1962
CURRENT ASSETS:		
Cash	$ 1,039,000	$ 486,000
Short-term investments at cost, which approximates market	3,468,000	—
Accounts receivable	9,582,000	7,482,000
Inventories of crude oil and supplies at or below average cost	1,493,000	1,417,000
Total Current Assets	15,582,000	9,385,000
INVESTMENTS IN NON-CONTROLLED COMPANIES AT COST	1,130,000	536,000
PROPERTY, PLANT AND EQUIPMENT AT COST (Note 2)	201,470,000	152,551,000
LESS : Accumulated depreciation, depletion and amortization	57,175,000	45,690,000
	144,295,000	106,861,000
OIL AND GAS RIGHTS ON HUDSON'S BAY COMPANY LANDS	1,000	1,000
UNAMORTIZED BOND DISCOUNT AND EXPENSE	561,000	352,000
OTHER ASSETS	883,000	858,000
	$162,452,000	$117,993,000

Approved on behalf of the Board:

Wayne E. Glenn

........................., DIRECTOR

L. J. Richards

........................., DIRECTOR

ecember 31, 1963 and 1962

LIABILITIES AND SHAREHOLDERS' EQUITY

	1963	1962
CURRENT LIABILITIES:		
Bank loans	$ —	$ 2,250,000
Accounts payable and accrued liabilities	9,757,000	8,064,000
Dividend payable	5,488,000	5,324,000
Long-term debt due within one year (Note 6)	288,000	50,000
Accrued bond interest	262,000	198,000
Total Current Liabilities	15,795,000	15,886,000
LONG-TERM DEBT (Note 6)	52,570,000	23,539,000
DEFERRED CREDIT RE OFFICE BUILDING (Note 7)	1,181,000	1,089,000
MINORITY INTEREST IN SUBSIDIARY COMPANY	96,000	—
SHAREHOLDERS' EQUITY (Note 3):		
Share capital, par value $2.50 per share Authorized: 25,000,000 shares Issued: 18,294,044 shares (1962—17,744,592 shares)	45,735,000	44,362,000
Contributed surplus	21,627,000	14,512,000
Retained earnings	25,448,000	18,605,000
	92,810,000	77,479,000
	$162,452,000	$117,993,000

See accompanying notes

Notes to the Consolidated Financial Statements

(1) Principles of Consolidation:

The consolidated financial statements include the accounts of all subsidiary companies. The income and expenses of Consolidated Mic Mac Oils Ltd. and Security Freehold Petroleums Limited are included for the full year. That part of the net earnings of each subsidiary company pertaining to its shares in the hands of the public at the end of each month during the year has been deducted as " Minority interest in net income of subsidiaries " in the consolidated statement of income.

(2) Accounting Principles:

The Company's accounting practice is to charge exploration expenses against income as incurred. The costs of drilling successful wells are capitalized and amortized on a unit-of-production basis, and the costs of unsuccessful wells are expensed upon completion.

Prior to January 1, 1963, the Company charged the costs of undeveloped acreage to income at the time of surrender. Commencing January 1, 1963, the Company adopted the procedure of making regular charges to income for "Amortization of undeveloped acreage" and the costs of undeveloped acreage are charged upon surrender to the accumulated amortization. The amount of amortization provided in 1963 exceeded the actual costs of surrendered acreage by $766,000 and the change in procedure therefore reduced net income by that amount.

Depreciation of assets, other than pipe line assets, is provided on a straight-line basis at rates calculated to extinguish the book values of the respective items over their useful lives. Depreciation of pipe line assets is provided on a unit-of-throughput basis.

The consideration paid for shares of Consolidated Mic Mac Oils Ltd. and Security Freehold Petroleums Limited exceeded their respective book values at dates of acquisition. The excess of consideration has been allocated to the related assets on consolidation, and depletion and amortization has been provided accordingly.

The capital stock issued for shares of Consolidated Mic Mac was recorded at $16.875 per share, the equivalent of the cash price offered for Consolidated Mic Mac shares. The capital stock issued for Security Freehold shares was recorded at $15.272 per share. This value resulted from recording the shares at their average market price on the Toronto Stock Exchange during the month of issue.

(3) Capital Stock:

The following shares were issued during the year:

Number of Shares		*Total Consideration*	*Credited to: Share Capital*	*Credited to: Contributed Surplus*
111,620	Issued for shares of Consolidated Mic Mac Oils Ltd.	$1,884,000	$279,000	$1,605,000
437,832	Issued for shares of Security Freehold Petroleums Limited . .	6,686,000	1,094,000	5,592,000
		8,570,000	1,373,000	7,197,000
	Less stock issue costs	82,000	—	82,000
549,452		$8,488,000	$1,373,000	$7,115,000

(4) Amounts Paid to Directors, Officers and Legal Counsel:

The following amounts were paid during the year ended December 31, 1963: Directors' fees and expenses $32,000; salaries of executive officers $213,000; fees and salaries for legal counsel $78,000.

(5) Income Taxes:

Under the provisions of the Income Tax Act and Regulations, the parent company and each of its subsidiaries are permitted to deduct currently exploration expenses and costs of drilling both successful and unsuccessful wells and also are allowed to carry forward any excess of such deductions over income. As a result of these provisions, no income taxes are payable in respect of 1963 operations of the parent company or any of its subsidiaries. At December 31, 1963, the parent company had a substantial carry-forward to apply against taxable income of future years.

(6) Long-Term Debt:

First Mortgage Sinking Fund Bonds of Hudson's Bay Oil and Gas Company Limited	*Purchased or Called for Redemption During 1963*	*Amounts Due Within One Year at December 31,*		*Long-Term Debt Outstanding at December 31,*	
		1963	*1962*	*1963*	*1962*
4% Series A, requiring sinking fund payments of $1,000,000 per annum, 1964 to 1974 and $10,000,000 balance, at maturity, May 1, 1975	$681,000	$113,000	$ —	$20,000,000	$20,794,000
5% Series B, requiring sinking fund payments of $100,000 per annum, 1964 to 1969 and $50,000 in 1970 and at maturity, October 1, 1971 . . .	50,000	50,000	50,000	550,000	600,000
5¾% Series C, requiring sinking fund payments of $160,000 per annum, 1964 to 1976 and $100,000 balance, at maturity, August 1, 1977	—	125,000	—	2,020,000	2,145,000
5½% Series D, requiring sinking fund payments of $1,500,000 per annum, 1968 to 1982 and $7,500,000 balance, at maturity, June 15, 1983	—	—	—	30,000,000	—
	$731,000	$288,000	$50,000	$52,570,000	$23,539,000

The First Mortgage Sinking Fund Bonds are secured under a Deed of Trust and Mortgage by a first fixed and specific mortgage and charge on certain petroleum and natural gas leases and by a first floating charge on all other property and assets of the Company, both present and future.

At December 31, 1963 sinking fund credits established through the purchase and surrender of bonds to the trustee were as follows: Series A — $887,000; Series B — $100,000; Series C — $35,000. On the consolidated financial statements these sinking fund credits have been treated as a reduction of the next succeeding sinking fund requirements for the respective series except for the Series B sinking fund credit. The latter has been deducted in equal amounts from the 1964 and 1965 Series B sinking fund requirements in accordance with the Company's undertaking to apply the credit on this basis.

(7) Deferred Credit Re Office Building:

On December 1, 1959 the Company sold its Calgary office building and simultaneously entered into a long-term lease for the property at annual net rentals of 3½% of the selling price for a minimum period of 5 years and at higher rates thereafter. Under the terms of the lease, the Company has an option, for a minimum period of 5 years from the date of sale, to repurchase the property at the original selling price and to cancel the lease. The excess of the selling price over the depreciated value of the property at the date of sale and a charge in lieu of depreciation since that date have been recorded in the accounts as a deferred credit. The balance in this account will be credited to accumulated depreciation if the building is repurchased and otherwise will be credited against future rentals.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Hudson's Bay Oil and Gas Company Limited and subsidiary companies as of December 31, 1963 and the consolidated statements of income and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion (according to the best of our information and the explanations given to us and as shown by the books of the companies) the accompanying consolidated balance sheet and consolidated statements of income and retained earnings are properly drawn up so as to exhibit a true and correct view of the state of the affairs of Hudson's Bay Oil and Gas Company Limited and subsidiary companies at December 31, 1963 and the results of their operations for the year ended on that date. The statements have been prepared in accordance with generally accepted accounting principles which, except for the change in method of writing off undeveloped acreage costs (of which we approve) as set forth in Note 2 to the consolidated financial statements, have been applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Calgary, Alberta
February 10, 1964

Ten Year Financial and

		1963	1962
Financial Data	Gross operating revenues	$ 41,024	33,596
	Net income (exclusive of special credits) (2)	$ 12,331	10,166
	Per share	$ .67	.57
	Cash generated from operations	$ 25,760	21,106
	Per share	$ 1.41	1.19
	Dividend declared per share	$ .30	.30
	Working capital	$ (213)	(6,501)
	Long-term debt	$ 52,570	23,539
	Shareholders' equity	$ 92,810	77,479
Gross Property Accounts	Petroleum and natural gas rights	$ 47,513	23,278
	Wells, plants and equipment	138,626	116,205
	Pipe line property	14,204	11,908
	Other	1,127	1,160
	Total	$ 201,470	152,551
Expenditures for Finding and Developing Reserves (3)	Petroleum and natural gas rights	$ 28,534	4,320
	Exploratory expenses	2,269	2,535
	Lease rentals	2,191	2,027
	Drilling costs	12,489	8,746
	Plants and equipment	7,596	4,933
	Total	$ 53,079(4)	22,561
Crude Oil and Natural Gas Liquids Production—Net (Barrels Per Day)	Alberta	29,660	25,731
	Saskatchewan	3,799	3,265
	Other provinces	2,227	1,358
	Total	35,686	30,354
Natural Gas Sales—Net	Millions of cubic feet daily	104.584	82.112
Wells Completed	Net development wells		
	Oil wells	66.3	65.1
	Gas wells	8.7	7.1
	Dry holes	14.9	13.8
	Total	89.9	86.0
	Net exploratory wells		
	Oil wells	5.4	2.8
	Gas wells	8.1	2.3
	Dry holes	22.1	16.8
	Total	35.6	21.9
	Total net wells	125.5	107.9
	Total gross wells	249.0	164.0
Net Wells Capable of Production	Oil wells	877.0	754.6
	Gas wells	125.3	97.4
	Total	1,002.3	852.0
Net Acreage (Thousands of Acres)	Fully or partially developed	321	274
	Undeveloped	12,786	11,422
	Total	13,107	11,696
Employees and Shareholders	Number of employees	475	454
	Number of shareholders	12,526	11,038
	Shares outstanding	18,294,044	17,744,592

(1) With the exception of per share figures, dollar amounts are in thousands.
(2) Special credits were $856,000 in 1962, $265,000 in 1960, $943,000 in 1959, $2,472,000 in 1958, $4,742,000 in 1957, $2,245,000 in 1956 and $729,000 in 1955.

Operating Review (1)

1961	1960	1959	1958	1957	1956	1955	1954
26,939	22,021	20,974	19,395	20,963	18,040	11,091	5,413
7,006	1,004	2,821	1,316	3,073	2,359	(1,059)	(2,576)
.39	.06	.16	.07	.17	.29	—	—
16,440	11,089	11,081	10,493	9,898	8,175	2,771	(43)
.93	.62	.62	.59	.56	1.02	.35	—
.20	—	—	—	—	—	—	—
(1,177)	7,797	13,293	12,480	15,155	1,632	(1,070)	(86)
25,018	26,400	26,500	27,600	28,600	52,100	32,003	13,603
71,871	68,324	67,055	63,291	59,503	12,814	8,210	8,540
19,339	17,659	14,605	12,606	11,683	9,647	9,210	7,633
106,599	92,548	83,701	75,149	66,163	63,969	43,423	18,010
8,655	6,564	6,334	5,634	4,908	2,136	—	—
1,098	1,144	1,169	4,987	4,810	4,591	3,009	772
135,691	117,915	105,809	98,376	87,564	70,343	46,642	26,415
2,138	3,344	2,297	1,126	2,053	436	1,576	3,369
1,841	2,251	1,678	1,664	2,246	2,408	2,959	2,245
2,032	2,169	2,346	2,362	2,853	2,320	2,234	1,792
6,378	6,683	5,867	8,387	10,032	15,924	14,856	6,822
10,280	6,707	5,661	4,374	3,606	5,118	3,922	1,511
22,669	21,154	17,849	17,913	20,790	26,206	25,547	15,739
23,971	20,285	19,168	17,953	20,097	19,194	11,700	5,534
2,668	2,386	2,026	2,117	2,144	1,796	1,450	397
183	18	60	29	16	2	2	—
26,822	22,689	21,254	20,099	22,257	20,992	13,152	5,931
60.128	43.642	44.190	13.780	7.971	6.014	5.278	5.321
52.7	47.9	62.9	55.8	65.4	149.2	154.1	55.9
2.7	7.1	6.4	9.3	5.1	.8	—	.4
5.2	4.8	5.1	6.8	4.3	3.4	2.5	.2
60.6	59.8	74.4	71.9	74.8	153.4	156.6	56.5
3.5	3.0	3.5	2.0	3.6	6.6	5.5	5.2
5.2	4.0	1.5	5.3	7.3	4.5	3.5	1.9
9.6	14.3	21.9	23.0	22.0	21.7	8.4	18.1
18.3	21.3	26.9	30.3	32.9	32.8	17.4	25.2
78.9	81.1	101.3	102.2	107.7	186.2	174.0	81.7
126.0	140.0	185.0	192.0	184.0	335.0	318.0	166.0
698.6	646.6	605.8	552.9	543.0	474.5	322.6	163.9
88.0	80.0	71.2	67.1	53.6	38.9	34.9	30.5
786.6	726.6	677.0	620.0	596.6	513.4	357.5	194.4
242	164	135	125	100	88	64	46
11,650	13,431	11,407	10,022	10,361	10,860	9,381	9,562
11,892	13.595	11,542	10,147	10,461	10,948	9,445	9,608
425	407	412	396	356	307	251	174
11,485	11,956	12,171	12,738	12,941	2	2	2
17,744,592	17,744,592	17,744,592	17,744,592	17,744,592	8,000,000	8,000,000	8,000,000

(3) Includes both capital and expense items; excludes interest and administrative expense.
(4) Includes $27,866,000 acquisition costs of Consolidated Mic Mac Oils Ltd. and Security Freehold Petroleums Limited.

Board of Directors

CHAS. A. PERLITZ, JR., Chairman, Houston, Chairman of the Board of Directors of Continental Oil Company

J. R. MURRAY, Vice-Chairman, Winnipeg, Managing Director of Hudson's Bay Company

T. N. BEAUPRE, Vancouver, President and a Director of British Columbia Forest Products Ltd., and a Director of Hudson's Bay Company

IRA H. CRAM, New York, Chairman of Executive Committee and a Director of Continental Oil Company

M. J. FOLEY, Quebec, Vice-President and a Director of Anglo-Canadian Pulp and Paper Mills, Limited

WAYNE E. GLENN, Calgary, President of the Company

HERBERT H. LANK, Montreal, President and a Director of Du Pont of Canada Limited

L. F. McCOLLUM, Houston, President and a Director of Continental Oil Company

L. J. RICHARDS, Calgary, Executive Vice-President of the Company

JAMES A. RICHARDSON, Winnipeg, Vice-President and a Director of James Richardson & Sons, Limited, and a Director of Hudson's Bay Company

Officers

WAYNE E. GLENN, President

L. J. RICHARDS, Executive Vice-President

K. H. BURGIS, Financial Vice-President and Treasurer

D. C. JONES, Vice-President, Production

M. B. MORRIS, Vice-President, Exploration

F. J. MAIR, Controller

J. H. CURRIE, Secretary

Corporate Information

HUDSON'S BAY OIL AND GAS COMPANY LIMITED	Incorporated under the Laws of the Dominion of Canada
HEAD OFFICE	320 Seventh Avenue South West, Calgary, Alberta
SUBSIDIARY COMPANIES	AURORA PIPE LINE COMPANY, incorporated by Special Act of the Parliament of Canada (100% owned) *CONSOLIDATED MIC MAC OILS LTD., incorporated under the Laws of the Province of Alberta (98.5% owned) FAIR MAC OILS LTD., incorporated under the Laws of the State of Delaware (100% owned by Consolidated Mic Mac Oils Ltd.) *MAC OILS LIMITED, incorporated under the Laws of the Province of Alberta (99.9% owned by Consolidated Mic Mac Oils Ltd.) *MAYFAIR OIL & GAS (1961) LTD., incorporated under the Laws of the Province of Alberta (100% owned by Consolidated Mic Mac Oils Ltd.) *MIC MAC OILS (1963) LTD., incorporated under the Laws of the Province of Alberta (100% owned) RANGELAND PIPE LINE COMPANY LIMITED, incorporated under the Laws of the Province of Alberta (100% owned) SECURITY FREEHOLD PETROLEUMS LIMITED, incorporated under the Laws of the Dominion of Canada (100% owned) *TWINING PIPELINE LTD., incorporated under the Laws of the Province of Alberta (100% owned by Consolidated Mic Mac Oils Ltd.) *Since year end, a statutory merger of these companies has been effected. The continuing company is Mic Mac Oils (1963) Ltd.
TRANSFER AGENTS	MONTREAL TRUST COMPANY, Calgary, Toronto, and Winnipeg MORGAN GUARANTY TRUST COMPANY OF NEW YORK, New York
STOCK EXCHANGE LISTING	TORONTO STOCK EXCHANGE
AUDITORS	PEAT, MARWICK, MITCHELL & CO., Calgary